

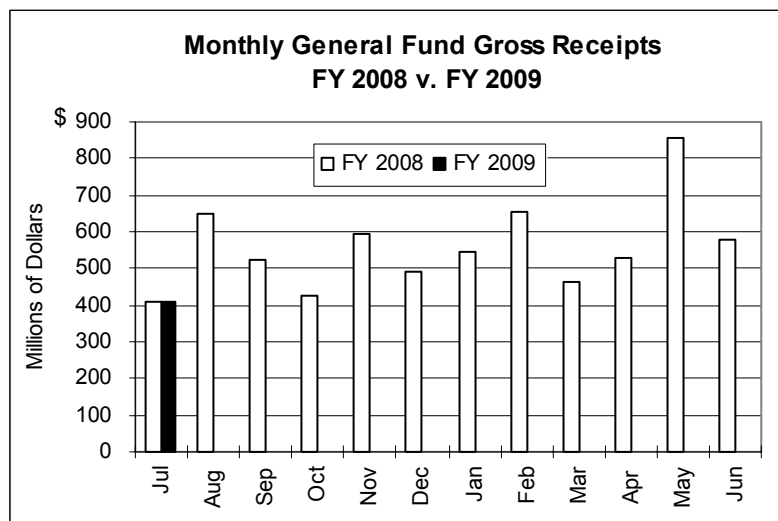
TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Timothy C. Faller

DATE: August 1, 2008

## Monthly General Fund Receipts through July 31, 2008

The attached spreadsheet presents total FY 2009 General Fund gross receipts with comparable figures for actual FY 2008. The figures can be compared to the FY 2009 estimate of \$6.852 billion set by the Revenue Estimating Conference (REC) on April 4, 2008. The FY 2009 estimate is an increase of \$133.8 million (2.0%) compared to actual FY 2008 gross cash receipts (excludes refunds, transfers, and accrued revenue adjustments). The sales and use tax rate increase that went into effect July 1 is not currently reflected in the FY 2009 REC estimate. The next REC meeting has not been scheduled.



## FY 2009 Compared to FY 2008

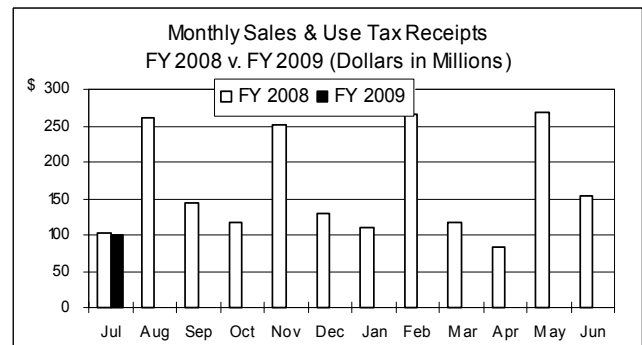
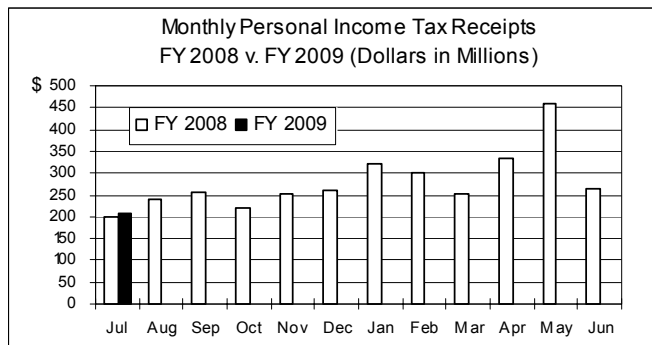
Year-to-date FY 2009 gross cash receipts (excluding transfers) decreased \$3.1 million (- 0.8%) compared to FY 2008. Major revenue sources contributing to the change include:

- Personal Income Tax (positive \$11.1 million, 5.6%)
- Sales/Use Tax (negative \$4.6 million, - 4.4%)
- Corporate Tax (negative \$14.4 million, - 38.7%)

- Other taxes (positive \$4.6 million, 14.4%)
- Other receipts (positive \$0.2 million, 0.5%)

**Personal Income Tax** revenues received in July totaled \$209.1 million, an increase of \$11.1 million (5.6%) compared to July 2007.

The FY 2009 REC Income Tax estimate of \$3.502 billion represents a projected increase of 4.2% compared to actual FY 2008. By subcategory, withholding payments increased \$3.2 million (1.9%), estimate payments increased \$1.0 million (3.2%), and payments with returns increased \$6.9 million (546.6%). The following chart compares FY 2009 monthly Income Tax receipts from the three Personal Income Tax subcategories with FY 2008.



**Sales/Use Tax** receipts received in July totaled \$99.0 million, a decrease of \$4.6 million (- 4.4%) compared to July 2007. It should be noted that the amount of July cash receipts was impacted negatively by \$10.0 million due to a transfer of funds for school infrastructure purposes originally made in June and adjusted in July.

The State Sales/Use Tax was increased from 5.0% to 6.0% beginning July 1, 2008. The increased rate is not currently reflected in the REC estimate. The REC estimate for FY 2009 Sales/Use Tax receipts was \$2.055 billion, an increase of 2.7% compared to actual FY 2008. The preceding chart compares FY 2009 monthly Sales/Use Tax receipts with FY 2008.

**Corporate Tax** receipts received in July totaled \$22.8 million, a decrease of \$14.4 million (- 38.7%) compared to July 2007.

The REC estimate for FY 2009 Corporate Tax revenue was \$424.2 million, a decrease of 12.3% compared to actual FY 2008.

**Other tax receipts** received in July totaled \$36.5 million, a \$4.6 million (14.4%) increase compared to July 2007. Both Cigarette (20.9%) and Tobacco (52.4%) tax revenue increased and accounted for 67.4% of other tax receipts in July.

The REC estimate for other tax receipts is \$502.7 million, an increase of 1.8% compared to actual FY 2008.

**Other receipts** (non-tax receipts) received in July totaled \$39.9 million, a change of \$0.2 million (0.5%) compared to July 2007. Judicial Revenue, Liquor Profits, and Miscellaneous Receipts increased for the month.

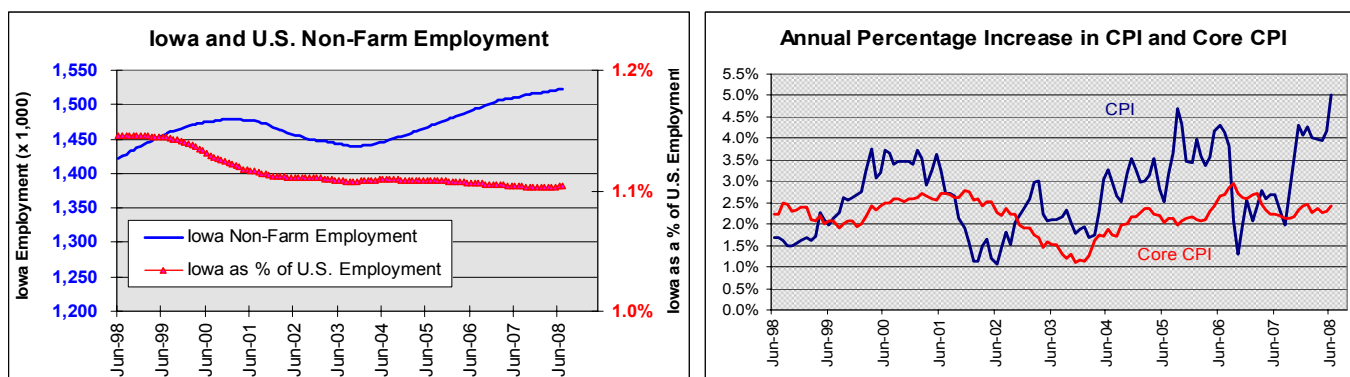
The REC estimate for FY 2009 other receipts revenue was \$368.6 million, a decrease of 3.2% compared to actual FY 2008.

## Status of the Economy

Iowa non-farm employment was reported at 1,542,600 for the month of June (not seasonally adjusted), 1,000 higher (0.1%) than June 2007.

Iowa's 12-month average employment is presented in a graph below. The average non-farm employment pre-recession peak was February 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current 12-month average reading is now 1,521,600 so annualized Iowa non-farm employment is 42,900 above its 2001 peak and 81,700 above the 2003 low.

The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. Although the percentage has increased slightly the past 6 months and the decline has slowed considerably since early 2002, the trend remains slightly negative.



Consumer prices increased 1.1% during June (not seasonally adjusted). The Consumer Price Index (CPI-U) through June 2008 was 218.8 (1983/84=100). The June year-over-year change of 5.0% makes the statistic above 4.0% for seven of the past eight months and is the highest reported year-over-year rate since May of 1991. The overall inflation rate has generally increased since mid-2004, when the price of oil and other commodities started to rise significantly.

Core CPI, an inflation measure excluding food and energy prices, increased in June and stands at 2.4% in the year-over-year comparison. The core inflation rate declined considerably from the early 1990's through March 2004 but has not been below 2.0% since August 2004. For the two components excluded from the core rate, energy prices are up 24.7% and food prices are up 5.2% year-over-year, its highest rate since 1990.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2008 vs. FY 2009 July 1 through July 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 08 Actual Compared to FY 09 REC Estimate		
	FY 2008	FY 2009	Year to Date % Change	July % Change	Actual FY 2008	Estimate FY 2009	Projected % Change
Personal Income Tax	\$ 198.0	\$ 209.1	5.6%	5.6%	\$ 3,359.7	\$ 3,501.9	4.2%
Sales/Use Tax	103.6	99.0	-4.4%	-4.4%	2,000.2	2,054.7	2.7%
Corporate Income Tax	37.2	22.8	-38.7%	-38.7%	483.8	424.2	-12.3%
Inheritance Tax	7.0	6.2	-11.4%	-11.4%	78.4	76.0	-3.1%
Insurance Premium Tax	1.0	1.9	90.0%	90.0%	111.7	127.1	13.8%
Cigarette Tax	17.7	21.4	20.9%	20.9%	229.5	225.8	-1.6%
Tobacco Tax	2.1	3.2	52.4%	52.4%	21.2	20.9	-1.4%
Beer Tax	1.4	1.4	0.0%	0.0%	14.5	14.5	0.0%
Franchise Tax	2.7	2.0	-25.9%	-25.9%	37.6	37.4	-0.5%
Miscellaneous Tax	0.0	0.4	0.0%	0.0%	1.0	1.0	0.0%
Total Special Taxes	\$ 370.8	\$ 367.4	-0.9%	-0.9%	\$ 6,337.5	\$ 6,483.5	2.3%
Institutional Payments	0.8	1.1	37.5%	37.5%	14.9	12.8	-14.1%
Liquor Profits	2.8	5.0	78.6%	78.6%	72.4	70.5	-2.6%
Interest	3.2	0.5	-84.4%	-84.4%	25.3	19.0	-24.9%
Fees	9.0	5.0	-44.4%	-44.4%	82.1	77.7	-5.4%
Judicial Revenue	9.1	8.6	-5.5%	-5.5%	90.0	90.8	0.9%
Miscellaneous Receipts	2.8	7.7	175.0%	175.0%	36.1	37.8	4.7%
Racing and Gaming Receipts	12.0	12.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 410.5	\$ 407.4	-0.8%	-0.8%	\$ 6,718.3	\$ 6,852.1	2.0%